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### **Should NNPC Be Privatized?**

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#### **Abstract**

Privatization has in some countries and sectors yielded positive outcomes, evident in the Nigeria's telecommunication sector. Privatization policy is a global phenomenon and major driver of globalization. The policy caused increased performance and efficiency in many sectors. The level of improved efficiency may vary from country to country and sector to sector. Recently, there have been debate on privatization of Nigeria's National Oil Company, NNPC, a debate that even shaped the opinion of voters in the 2019 Nigeria's presidential election. Some people know less about the process and likely effects of privatizing NNPC, some are skeptical about it, and some feel strongly that it is for the betterment of Nigeria. This article evaluates the policy of privatizing national oil company, its process, and likely outcome in Nigeria. The article studied various privatization of national oil companies as well as present Nigeria's NNPC condition and Nigeria's peculiarities. It was concluded that privatization of NNPC can increase the Nigeria's performance in oil discovery and production, it will also increase the efficiency of the Nigeria's petroleum sector, increase revenue for Nigerian government, and fund economic diversification in the country. It was recommended that NNPC shares should be listed in the Nigerian Stock Exchange with government retaining only 10% of the shares, no public official should acquire a share, and there should be a trust and transparency council to monitor the privatization.

**Key Words:** NNPC, Privatization, Nigeria

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## **1. Introduction**

The recent National Election in Nigeria has sparked a national debate on the appropriateness of the privatization of the 44 year old national oil company (2019a), where one of the major contenders in the election promised to privatize 90% of the national oil company if elected president (2019b). In fact, this debate has in one way or the other influence the decision of some voters in Nigeria, and still lingers post 2019 election. Yet, there is no academic investigation on the question of whether to privatize the Nigerian National Oil Company called Nigerian National Petroleum Corporation (NNPC) or not, hence, I write this paper to look at the issue from academic perspective.

Privatization of national oil companies have become a global phenomenon, and there have been empirical evidence that suggested that privatization had led to increased performance of National Oil Companies in many countries (Wolf, Christian & Pollit, Michael G., 2008). However, this might not be sufficient to reliably assume the Nigerian case will be the same. Though, there is no history to observe the effectiveness of the privatization of a Nigerian Oil Company, but there were examples and lessons from privatizations of the country's telecommunication and Power Sector, from which we can hypothesize the resultant effects of NNPC privatization in the country (Ogunbiyi & O'Brien, 2000). Similarly, there are other specific variables to analyze in deciding whether NNPC privatization will be good for Nigeria or not.

Oil and Gas Sector has continued to be the mainstay of the Nigerian Economy since 1970s, when Nigeria joined the Organization of Petroleum Exporting Countries (OPEC) (Atsegbua, 2012), and this was a shift from the Agricultural Sector, whose potentials are evenly distributed across the country("Economic Structure and Context: Key Sectors.," 2011). The Nigerian oil and gas deposit is unevenly distributed with most of the oil and gas production are being done in the Niger Delta area of the country ("NIGERIA OIL & GAS REPORT.," 2018), and this has sparked grievances and complains, and even threatened the coexistence of the country to the pressure for resource control (Adamu, A & Darma, MR, 2016).

These made NNPC privatization's question a big concern to Nigerians, and the resultant effect will define the future of the country's economy. Though, oil and gas are the major sources of

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foreign revenue for the Nigerian Government, but there have been reducing interest and fear of over reliance on the oil and gas sector, as well as the apparent resource curse in the country (“NIGERIA OIL & GAS REPORT.,” 2018). Nigeria was hit by one of its worst recessions in history between the period of 2016 and 2017 (Trading Economics, 2017), and scholars have argued that the decline in the oil price was responsible for the Nigerian economic crisis within this period (“NIGERIA: Out of Recession.,” 2017).

As the Nigerian government is challenged by increasing infrastructure deficit and foreign debt, it is a lot faced with the challenge of reducing poverty in the country. Nigeria was reported to have been the world headquarters of poverty (Chukwu, 2019), and for a serious government to turn these issues around, there has to be adequate investment in critical sectors of the economy including transportation, electricity, manufacturing and agricultural sectors, but the question is where do the government get funding to adequately invest in these sectors?

Oil’s dominance is presumed to be on decline, and a grand energy transition is anticipated in a near future (Kinder, 2016), Nigeria now has a choice to either wait and get a free ride, or lead in the transition. Even if there is no transition, the dominance and price of oil is likely to reduce in the future, which will then pose an economic challenge to Nigeria, forcing it to seek for an alternative economic base. As long as this is to happen, it is good for Nigeria to prepare and invest in its possible options before it becomes too late. Therefore, privatization of the NNPC or not is a key decision that determine the fate of Nigeria before the injury time.

This paper studies if NNPC privatization is good for the country, considering its peculiarity and antecedent, and to analyze the possible effects of the NNPC privatization. The paper is divided into xxx parts

### **2. Literature Review**

Many studies have been conducted to assess the effectiveness of the privatization of national oil companies, however, there is no general rule of thumb to conclude that state ownership or private ownership of such national company is the best option. The competitive markets theory

suggested that free competition without government participation leads to more efficiency and productivity (Galal et al. 1994; Sheshinski and López-Calva 1999; Shirley and Walsh 2000; Megginson and Netter 2001; Kikeri and Nellis 2002). Most of the researches reported improved efficiency of national oil companies after privatization, however, Villalonga (2000) pointed out that, a mere change of ownership is not the only condition for such improved efficiency, it must be complemented by institutional and regulatory changes. Dewenter and Malatesta (2001) are of the opinion that privately run oil companies are more viable than the public owned companies in the oil and gas sector. Though, this opinion was argued by Caves and Christensen (1980) and Martin and Parker (1995) that it is not the change of ownership that lead to such efficiency, but the improved market conditions.

There are optional approaches in analyzing the effectiveness of the privatization of national oil companies, one is by deliberate study of companies' performance before and after privatization, which was deployed Megginson et al. (1994). However, this method assumes constant change in all other relating variables that may affect the efficiency. A more effective approach is the holistic approach that study the costs and benefits that result from the privatization.

A sample of 211 companies from different sectors and from 42 countries have indicated that privatization is a catalyst for improved efficiency of company's performance D'Souza and Megginson (1999). This finding corroborate the work of Megginson et al. (1994) and Boubakri and Cosset (1998). However, the question that these researches failed to answer is the effect of the privatization on employment level. Further cross-sectional studies focusing on a country have also established similar finding especially in China, Canada and Chile Macquieira and Zurita (1996), Boardman et al. (2000) and Wei et al. (2003); Jia et al. (2005).

Studies in Argentina have shown the positive effects of privatization of the Yacimientos Petroliferos Fiscales (YPF) in 1993 on the entire oil industry and other related sectors (Oil and Gas Journal, 1995). It was also observed that the resulting improved performance was during the process of privatization using some cross-sectional data Dewenter and Malatesta (2001).

Galal et al.(1994) studied what may not have been measured in terms of improve welfare instead

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of improved profit in the case of state-owned companies. However, it was discovered in the work of Jones et al. (1998) that privatization has bigger welfare effects on citizens than state-ownership.

Not much has been empirically researched on the effects of ownership in the petroleum sector especially in African countries. Eller et al. (2007) found higher efficiency of private oil companies compare to the state owned companies, they concluded participation of government in management of oil companies leads to lower efficiency. Wolf and Michael (2008) have found that privatization has increased output by 40% of the 28 national oil companies observed in their studies, and concluded that privatization of national oil companies leads to improved efficiency and performance.(Wolf, Christian & Pollit, Michael G., 2008).

There are no deliberate and sufficient researches on the effects of privatization of the NNPC, this is the first of its kind, though Noruwa (2016) conducted a survey where he asked people's opinions on the deregulation and privatization of the oil and gas sector in Nigeria, the respondent suggested that deregulation and privatization of the Nigerian oil and gas sector will augur well for Nigeria. However, his research finding is very weak, because it was a random sampling of the public opinions, he would have sorted for professionals or experts opinions in the oil and gas sector or administer a more scientific approach (Noruwa, Ikponmwosa Abu, 2016).

Nevertheless, here were some reported literatures on the effects of privatization policy on the Nigerian telecommunication and power sector. These are the famous transfer of ownership of national companies experienced in the country, and from which we can understand the effects of privatization in the country. Ogunbiyi and O'Brien (2000) have observed serious inefficiency and low performance of the Nigeria's telecommunication sector, and as a result of the privatization, but Raji et al (2017) found that after privatizing the Nigerian telecommunication sector, there was improved efficiency in the sector, and has resulted in socioeconomic development in the country. Chidozie et al (2015) despite their criticism and application of the social theory of structural imperialism in studying the issue, they still conclude that privatization of the telecommunication sector had contributed to the growth of Nigerian GDP and employment (Chidozie, Lawal, Promise Odunayo, & Ajayi, Olumuyiwa Olutosin, 2015). Ologunde et al

(2006) have confirmed that the productivity of the telecommunication sector has improved by 16 times compare to 1999, which caused higher market penetration. They also reported massive increase in investment in the sector, and they concluded that privatization of the telecommunication sector have generally yielded positive result (Ologunde, A. O., Owoyomi, A. E., Elumilade, D.O., & Makinde, J. Taiwo, 2006).

Wei et al (2012) confirmed similar improved efficiency, investment and productivity in the power sector as a result of its privatization (Wei, Werker, Igun, & Ezekwueche, 2012). Though Isa and Zainab (2014) questioned the interest of investors in the power sectors, but are of the opinion that if more competent investors are to participate in the privatized power sector, the benefits would have been much higher (Isa, Aminu & Zainab, Brown Peterside, 2014).

Dubagari (2018) also resported that after privatization of the generation and distribution sector of the Nigerian power sector, there are still some challenges bedeviling the sector. He reported that still many Nigerians lack adequate access to electricity despite the privatization (Dubagari, Umar Abubakar, 2018). Enojo et al (2017) also discovered inefficiency in the Nigerian power sector reform, pointing to favouritism and unfairness in the bidding process, and suggested that if there would be fairness, the privatization of the sector will yield more benefits (Enojo, Audu, Salisu, Ojonemi Paul, & Abraham, Ameh, 2017). This is not surprising considering the incomplete privatization of the sector, where up till not the transmission segment of the power sector is under the ownership and control of government. There are other market failures in the electricity market, where government still subsidize and control generation, and this has partly explained the inadequacy of the privatization(Claudius, A. Awosope, 2014).

From the above researches, one cannot conclude on whether the outcome of privatization in one sector will be similar in the other. This require specific look at the NNPC privatization applying the lessons and experiences from other privatizations.

### **3. NNPC Issues**

NNPC faces range of issues that made it inevitable to privatize in order to ensure stability and efficiency of the Nigerian oil and gas sector. Some of the issues NNPC faces include the

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followings as accessed from various reports (Dan Onwuke, 2018), (Ifesinachi & Aniche, 2015), (Nigeria's Oil and Gas, 2018).

- a **Inefficiency, Mismanagement and Interference:** NNPC is one of the inefficient government institutions, with so much political interference, ambiguities, corruption, nepotism and low performance. NNPC is being mismanaged, because it is a government property, even if it operates at loss or inefficiently, nobody cares, because no external interests are involved (Ofuani & Adebisi, 2018).
- b **Corruption:** There have been allegations of fraudulent diversion of funds from sales of crude oil, and vague-accounted importations of petroleum products. Some people were alleged to have been paid billions of Naira by the NNPC for importation of nothing. Most government corruption originates from the activities that relate to the management of the oil and gas proceeds (Temi, Banjo, 2018).
- c **Inadequate Funding and Revenue:** NNPC has been facing challenges in funding upstream operations and obligations, and was not able to raise its potential revenue. Not only in the upstream sector, NNPC failed to effectively manage the downstream sector, which is characterized by scarcities, inconsistent and uncompetitive fuel prices (Aniche, 2015).
- d **Low Performance:** As we speak today, majority of the oil and gas operation/production are carried out by private oil companies, especially Shell, Chevron, ExxonMobil and Total. NNPC produces only a small fraction of the national petroleum output because of its inefficiency, and yet spends so much on maintenance and other recurrent expenditures. As at 2019, the Nigerian Petroleum Development Company (NPDC), the upstream subsidiary of the NNPC produces only 200, 000 barrels of oil per day, which is barely 10% of the nation's daily oil production (NNPC, 2019).
- e **Debts:** NNPC owes private oil companies billions of dollars as outstanding Joint Ventures cash calls. NNPC's cash call debts hit \$7 billion as at 2016. This proves that private companies are more effective than public companies (Emeka, Ugwuanyi, 2016).
- f **Continuous Importation of Petroleum Products:** Despite the abundance of petroleum commodities in Nigeria, the country's largest import is from petroleum

products, which increases the supply and reduces the value of the Naira in the foreign currency market. According to Nigerian Central Bank, from 2013 to 2017, Nigeria spent \$36.4 billion for importation of Petroleum Products. The Nigerian Minister of State for Petroleum was quoted saying “Nigeria allocates an average of \$28 billion of her foreign exchange earnings yearly to import about 92 per cent of the petrol consumed locally”, and report from the National Bureau of Statistics (NBS) showed that N2.289 trillion was expended in 2018 alone on importation of refined petrol into Nigeria (Chika, Amanze Nwacuku, 2019).

- g **Inadequate Local Refining Capacity:** The NNPC has not provided sufficient refining capacity in the country, which is why greater percentage of Nigeria’s petroleum products are imported. All these happened because NNPC is wholly government owned (Chika, Amanze Nwacuku, 2019) (Temi, Banjo, 2018) (NNPC, 2018).
- h **Low Production and Many Marginal Fields:** due to NNPC’s inefficiency, Nigeria produces less than 2 million barrels of oil per day, this is far less than our potential output. Many oil fields are abandoned due to lack of competition and innovations (NNPC, 2019).
- i **Poverty:** Though an oil rich country, Nigeria is the world headquarters of poverty, which explains further the poor management of the oil resources in the country. NNPC has failed to translate the oil and gas resources into economic development and wellbeing of Nigerians (Brookings Institution, 2018).

#### **4. Potential Benefits of Privatizing NNPC**

1. **Funding the NNPC:** Allowing individuals to acquire shares in the NNPC with government retaining some of the shares can create opportunity for more funding into the corporation to carry out its commercial activities relating to the petroleum industry. This is evident in many successful privatization of National Oil Companies.
2. **Investment in Infrastructure:** The money to be generated as a result of the initial public

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offering of the NNPC can be used to build roads, railways, public houses and hospitals and to fix electricity problem in Nigeria.

3. **Reduction of wastages and corruption as well as fairness:** With individuals putting their money in the NNPC, wastages and corruptions will be reduced, and employment into the NNPC will not be based on nepotism, but based on necessity and competence.
4. **Fight poverty:** With individual Nigerians becoming shareholders in the NNPC, and more revenue generated from the public offering of the NNPC and taxation, wealth will be redistributed among Nigerians, thereby reducing poverty.
5. **Foreign Direct Investment:** Foreign shareholders will bring foreign capitals into the country, thereby boosting Nigeria's foreign reserves, improving Nigerian economic strength and strengthening the Naira. As at 2019, Foreign Direct Investment (FDI) in Nigeria has reduced by over 60% in the preceding two years, and Ghana has overtaken Nigeria on FDI scale (UNCTAD, 2019). NNPC privatization can change this narrative.
6. **More revenue for Government:** If NNPC is privatized, the Nigerian government can then have more revenue from taxing the NNPC for more infrastructural development and human development. From the proceeds of the public offering, the government can also raise money to fund such development budgets.
7. **Increased Performance and Efficiency of the NNPC:** NNPC barely generates N2 trillion in a year (NNPC, 2018), but if it is privatized, it can generate up to N13 trillion in a year, because of the resultant minimization of costs, leakages and wastages, and maximization of revenue, common features of a profit-driven business (Wolf, Christian & Pollit, Michael G., 2008) (Oil and Gas Journal, 1995) (Noruwa, Ikponmwoosa Abu, 2016).
8. **Diversification of the Economy:** The money to be generated from the equities (NNPC

shares) and taxation on the earnings of the NNPC can be used to strengthen new economies in manufacturing, industrial and agricultural sector, so that Nigeria will not forever be relying on the declining oil and gas resources.

9. **Relieve Government:** Government has numerous responsibilities and interests, and that is why it cannot efficiently manage the NNPC alone. Government needs to be relieved to concentrate on poverty reduction, human capital development, job creation and infrastructural development, and this can only be achieved when government is relieved of the responsibility of managing an inefficient NNPC (Dan Onwuke, 2018).
10. **Competitiveness:** NNPC requires huge capital investment and independence to make it competitive to other international oil companies like Total, BP and Shell, and this can only be achieved through privatization.
11. **Low Petrol Price:** If NNPC is privatized, there would be more investment, efficiency and competition in both upstream and downstream sectors, which can bring down the prices of petroleum products (Noruwa, Ikponmwosa Abu, 2016). Privatization of the NNPC can enable the company to raise more capital to build new refineries in Nigeria, which can lead to low petrol price and relieve the Nigerian government from the exorbitant petroleum subsidy payment.
12. **More oil and gas discoveries:** Privatization of NNPC can see the Nigerian petroleum reserves and output doubled, and natural gas resources optimally harnessed due to the profit motive and increased investment.
13. **True Market Economy:** As Nigeria claims to practice market economy, the mainstay of the economy should be managed by the efficient private sector. The government should only be responsible for ensuring fair play and providing level playing field for investments to thrive. It is very unnecessary for Nigerian government to keep funding and managing NNPC and at the same time fund infrastructural development and investing on new economies.

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### 5. Success Stories

Nigeria has witnessed the effects of privatization of the telecommunication sector, which resulted in huge investment in the sector, created more jobs, and made telephones available and affordable (Raji, Jedin, & Subhan, 2017). This is what will happen when NNPC is privatized, petrol will be available and affordable. Though, there were literatures as reported under literature review that reported poor performance of the power sector after its partial privatization (Dubagari, Umar Abubakar, 2018; Isa, Aminu & Zainab, Brown Peterside, 2014). However, privatization in power sector did not yield its potential efficiency due to non-privatization of the midstream of its value chain.

The Nigerian Power Sector reform was not wholly, and the privatization was not complete. The incomplete privatization of the sector was one of the major reasons identified in the work of Arowolo and Perez (2017) that contributed to its lower efficiency. Additional reasons why Nigerian power sector reform did not perform like that of the telecommunication sector was because of absence of adequate gas development infrastructure, and weak regulatory framework (Arowolo & Perez, 2017).

The non-privatization and development of gas infrastructure has rendered the privatization ineffective, so it was not the privatization that was ineffective, the ineffective was caused by external factors. Therefore, the solution is not to review the privatization, but to invest in gas infrastructure and privatize the transmission segment. The stagnant and dilapidated transmission networks has made it impossible to optimize generation capacity, because even if power is produced at certain level, it cannot be wheeled out, and even if it can be wheeled, 7.4% of it will be lost along the transmission networks due to its inefficiency.

According to Nigeria Electricity Regulatory Commission (NERC), the total installed transmission wheeling capacity in the country is 5,300MW, while installed generation capacity in the country is 12,522MW. This means only 42% of the installed generation capacity can be wheeled out (NERC, 2019). Therefore, no matter the effectiveness of the privatization in the generation and distribution segment, the power sector will not improve without improvement in capacity and efficiency of the transmission segment. And the only policy that can guarantee this

is to equally privatize the Transmission Company of Nigeria (TCN). If generation and distribution segment is privatized to improve its efficiency, then transmission segment should be privatized to improve its efficiency too.

Therefore, it is not sufficient to conclude that Privatization of the power sector did not yield positive result, in fact, it has resulted positive impact in the country (Okoye, 2014). If not because of the external factors mentioned above and non-privatization of the transmission segment, the power sector would have witnessed a tremendous improvement. So, it is recommended to further privatize the transmission segment. Proper privatization of power sector has resulted to more efficiency in many countries, and privatization in telecommunication sector also resulted to more efficiency. Therefore, privatization if done holistically will lead to increased productivity and efficiency.

## **6. Best practice**

Privatization of national oil companies is a global trend and best practice. Nigeria won't be the first to do it. Major global oil companies are privately owned; even national oil companies are now being privatized. BPOil Company as a private oil company is now one of the leading global oil companies. Countries that have fully or partly privatized their national oil companies include Canada, France, Mexico, Russia, Argentina etc. Even Saudi Arabia and Brazil are seriously considering privatizing their national oil companies. It is the best thing for Nigeria, as long as we want an economic paradigm shift and achieve real growth.

The following table as computed by Wolf and Pollit (2008) shows different changes of ownership of national oil companies through share issue privatization (SIP), where it shows that most developed countries have already privatized their national oil companies including Brazil and China.

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Company	Country	Initial share-issue privatisation				Follow-on SIPs (Years)	Current state ownership (%)
		Offering date	Issue size (US\$m)	State ownership (%)			
				Before	After		
YPF	Argentina	Jul. 93	4,200	100%	41%	-	0%
OMV	Austria	Nov. 87	117	100%	85%	1989, 1996	35%
Petrobras	Brazil	Aug. 00	4,030	62%	45%	2001	40%
Petro-Canada	Canada	Jun. 91	478	100%	81%	1992, 1995, 2004	0%
Fortum	Finland	Dec. 98	1,045	98%	76%	2002	51%
Elf Aquitaine	France	Sep. 86	493	67%	56%	1991, 1992, 1994, 1996	0%
Total	France	Jul. 92	906	32%	4%	1996	0%
Hellenic Petroleum	Greece	Jun. 98	311	100%	77%	2000	35%
MOL	Hungary	Nov. 95	153	100%	72%	1997, 1998, 2004	8%
ONGC	India	Mar. 04	2,350	84%	74%	-	74%
Eni	Italy	Nov. 95	3,907	100%	85%	1996, 1997, 1998, 2001	30%
Japex	Japan	Dec. 03	287	66%	50%	-	50%
Inpex	Japan	Nov. 04	583	54%	36%	-	29%
Statoil	Norway	Jun. 01	3,292	100%	81%	2004, [2005]	63%
Petrochina	P.R. China	Apr. 00	2,890	100%	90%	[2007]	86%
Sinopec	P.R. China	Oct. 00	3,470	100%	78%	-	76%
CNOOC	P.R. China	Mar. 01	1,400	100%	71%	[2006]	66%
OGDC	Pakistan	Nov. 03	120	100%	95%	[2006]	85%
Pakistan Petroleum	Pakistan	Jun. 04	96	93%	78%	-	78%
Petron	Philippines	Aug. 94	335	60%	40%	-	40%
PKN	Poland	Nov. 99	513	85%	55%	2000	28%
Repsol	Spain	Apr. 89	1,140	96%	69%	1993, 1995, 1996, 1997	0%
PTT E&P	Thailand	Mar. 93	52	100%	85%	1994, 1998	67%
PTT	Thailand	Nov. 01	729	100%	69%	-	68%
Tupras	Turkey	Apr. 00	1,200	96%	66%	[2005]	0%
BP	U.K.	Jun. 77	972	68%	51%	1979, 1983, 1987, [1995]	0%
Britoil	U.K.	Nov. 82	911	100%	49%	1985	0%
Enterprise Oil	U.K.	Jul. 84	524	100%	0%	-	0%

**Figure 1: Share Issue Privatization of National Oil Companies across the world (Wolf, Christian & Pollit, Michael G., 2008)**

### 7. Conclusion

NNPC should be privatized in order to raise revenue to build other sustainable sectors of the economy and fight poverty in Nigeria. NNPC has failed to provide sufficient refining capacity in Nigeria, it contributes only 10% of the national crude oil output (NNPC, 2019), and despite its N13 trillion revenue generation capacity, it was able to generate only N2 trillion annually, and this is used to import petroleum product (Chika, Amanze Nwacuku, 2019). Due to complexity and volatility of the petroleum sector, corruption became endemic in the sector, because most figures are difficult to be verified, and some officials use that to abuse public trust. NNPC is politically driven, not profit driven. But, with NNPC privatization, Nigerian government can raise enough revenue through initial public offering and taxation to fund capital and development projects, and build new economies.

In fact, it is not economically healthy for Nigerian government to continuously maintain the inefficient NNPC at the cost of the people. Government needs to be relieved to concentrate on its basic roles of ensuring fair play, equity, security, infrastructural development and poverty eradication. Successes have been recorded in many countries and sectors after privatization, and as such it has become a global passion and best practice. Through competitive petroleum industry, foreign investment can be attracted and petrol price can be lower.

Nigeria will not lose its oil and gas reserves by privatizing NNPC; all natural resources will still belong to the federation, and the government decides how to equitably allocate ownership of resources and distribute proceeds from the common natural resources across the states and local governments. The management of the petroleum resources and institutions will be saddled on the efficient private sector, and royalty for using the Nigerian natural resources will still be paid. Nigerian government may also wish to retain certain level of interest in the management of the sector. Similarly, there are various petroleum fiscal regimes that Nigeria can still apply to maximize its share from the production of oil and gas in the country after privatization.

It is recommended that during the privatization of the NNPC, the share offering should be opened to any interested individual or group in Nigerian, before extending the offer to foreigners.

The NNPC and its assets should be valued fairly, and then listed in the Nigerian Stock Exchange Market and other international Capital Markets. The sale of the shares should be in phases, up to the time when 90% of the shares are sold out to the public, and then government can retain 10% of the shares.

The NNPC Asset Valuation should be done by impartial professionals, who should come from diverse backgrounds and expertise, so as to arrive at the accurate market value of the assets, devoid of discounting, so that Nigerians will benefit optimally from the initial public offering. The privatization should also take place in phases, and may take couple of years to be effected.

No any public official should be allowed to either directly or indirectly acquire shares of the NNPC. There should be an inclusive consultation with experts and National Assembly, and there should be a public referendum to ensure inclusive and smooth privatization of the NNPC.

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All proceeds from the Initial Public Offering and subsequent taxation should go direct to human and infrastructural development as well as diversification of the economy.

A mere reform or removal of subsidy alone will not work. Even if the Petroleum Industry Bill (PIB) is to be passed into law, there will still be problems. For Nigerians to benefit from oil and gas resources, NNPC has to be profit-driven not politically driven, and the best way to do that is to privatize the corporation and allow individuals to buy its shares, so that the company can function like a commercial and profit-driven entity.

A special council should be constituted made up of representations from all social, economic and political interest groups to supervise the implementation of the privatization and ensure that sincerity and transparency is adhered to.

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